

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

MINES AND MINERALS – Development of Penagadapa Mine block of M/s. The Singareni Collieries Company Limited allocated to Andhra Pradesh Power Generation Corporation Limited – Necessary permission to A.P.Mineral Development Corporation Limited to enter into JV agreement with M/s. Sitapuram Power Limited subject to certain terms and conditions - Orders - Issued.

INDUSTRIES AND COMMERCE (M.II) DEPARTMENT

G.O. Ms. No. 31,

Dated:02-02-2009.
Read the following:

1. From the VC & MD., A.P.Mineral Development Corporation Limited
File. No.A.P.MDC/38/2-COAL/2008.

ORDER:-

In the reference read above, the Vice Chairman & Managing Director, A.P.Mineral Development Corporation Limited has stated that Penagadapa, Annisettypalli & Punukula Chilaka Mine Blocks in Khammam District of M/s. The Singareni Collieries Company Limited were allocated to Andhra Pradesh Power Generation Corporation Limited by Ministry of Coal, Government of India, under Government dispensation scheme for development, Mining & Captive consumption of Coal produced from the blocks. The A.P.Mineral Development Corporation Limited have requested the APGENCO to consider to give the above three blocks to APMDC for development, subject to terms & conditions as may be fixed by the Government.

2. The APGENCO Vide Lr.No.MD/AS(Coal)F.766/163/2008/1600, dated: 10-7-2008 accepted the proposal of A.P.M.D.C Ltd., subject to assurance that Coal from these blocks will have to be supplied to APGENCO on priority as per the need. APGENCO also informed that it will initially furnish Bank Guarantee to an extent of Rs.14.30 crores for Penagadapa block Rs.1.19 crores for Annisettypalli block and Rs.1.59 crores for Punukulachillaka block to Ministry of Coal, Government of India, as directed by Ministry of Coal while allotting the blocks and the same so provided shall be recouped/paid to APGENCO by APMDC at a later date.

3. The APMDC Ltd., Vide Lr.No.APMDC/38/Coal/2008-09/1463, dated: 28-7-2008 have conveyed its acceptance of the proposal made by APGENCO and also requested to provide the Geological Reports and Geological plans of all the blocks at the earliest for further necessary action. As the coal from these three mines is to be supplied to APGENCO on priority as per the need, APMDC Vide Lr.No.APMDC/38/Coal/08/09, dated:11-08-2008 requested to inform about its future commitments from these three mines, so that APMDC will plan the programme of the development of the blocks.

4. The VC & MD., A.P.MDC Ltd., has also stated that the APGENCO vide its Lr.No.MD/AS(Coal)/f.767/214/2008, dated:28-08-2008 informed that it requires entire Coal produced from these three blocks to meet the requirement of the future project that is coming up in the vicinity of the blocks as well as to meet the shortage of coal for the existing plants. APGENCO also communicated that as far as Penagadapa mine block is concerned, out of the estimated reserves of 110.87 Million tones, they have given consent to the Government of Andhra Pradesh to spare 25 million tones to M/s. Sitapuram Power Ltd., and 30 million tones for Grasim Industries. APGENCO further informed that it requires balance of coal from Penagadapa mine block to enable to establish new plant in and around Penagadapa area and to meet the shortage of coal for their existing plants.

(Contd.P2.)

5. The VC & MD., A.P.MDC Ltd., has further stated that the "Penagadapa Coal Block of the SCCL" was allocated to APGENCO under Government company dispensation scheme for exploitation of Coal. APGENCO also Communicated that it will initially furnish the Bank Guarantee to the Ministry of Coal, Government of India, to an extent of Rs14.30 Crores as directed by the Ministry, while allotting the block and the Bank Guarantee so provided shall be recouped/paid to APGENCO by APMDC at a later date. APGENCO further informed that it has given consent to the Government of A.P. to spare 25 million tones to Sitapuram Power Limited and 30 million tones for Grasim Industries from Penagadapa Mine block and the balance of Coal from this block (out of the total 110.87 million tones) is required to be supplied to APGENCO to enable to establish new plant in and around Penagadapa area and also to meet the shortage of coal for the existing plants.

6. The APGENCO has been allocated Penagadapa coal block under Government company dispensation scheme for exploration and exploitation of Coal in pursuance of the provisions of Section 3(3)(a)(i) of the Coal Mines (Nationalisation) Act, 1973, the prospecting/detailed exploration and coal mining shall be carried out by M/s. APGENCO provided that the separately created company is a Government company eligible to do coal mining as per the provision of the Coal Mines (Nationalisation) Act, 1973.

7. The VC & MD., A.P.MDC Ltd., has further also stated that one of the Directors of the SCCL has opined the following with regard to Penagadapa block:

"The area is covered partly under reserved forest and partly by Eucalyptus plantations of Andhra Pradesh Forest Development Corporation Ltd., Coal Seam of Penagadapa block is the only carbonaceous horizon which is made up of the coal bands/shaly coal and carbonaceous shale etc., unlike in the other cases where the coal blocks are generally confined to a particular/specific part of the seam facilitating sectional mining, in this case, though the cumulative thickness of coal and shaly coal bands having more than 1m thickness varies from 2.25m to 34.54m, these are neither thick enough individually nor collectively to form a mineable section even in a part of the block. Grade of coal is G".

8. According to the above opinion of the Director, SCCL; the Vice Chairman, & Managing Director, M/s. APMDC Ltd., has stated that though the reserves are not encouraging, it may explore the possibilities of taking up Mining under private participation to the tune of not exceeding 49% equity, since, ultimately the block has to be operated only by a PSU, according to the allocation norms by the Ministry of Coal, Government of India. Even after they offer 49% shares equity to the Investor company who are actual developers, it is well within the meaning of Public sector. Further, as per the available information, it is understood that to a maximum extent of 30-40% of the total reserves of the block only can be mined in case of underground Mining. In such case only 30-35 million tones of coal can be exploited/ recovered.

9. The Board of Directors, A.P.MDC Ltd., have resolved to take permission of the Government bringing all the aspects mentioned below:

- (i) That as APGENCO has already given consent to the Government of A.P. to spare 25 million tones of coal to M/s. Sitapuram Power Limited and 30 million tones for Grasim Industries from Penagadapa Mine block, A.P.MDC shall seek permission of the Government of A.P.to entrust the development of the block to M/s. Sitapuram Power Limited.

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- (ii) Since the mineable reserves are only 30-35 million tones from this area, we may presently commit only to M/s. Sitapuram Power Limited since they have already gone a head with the commissioning the project whereas M/s.Grasim Industries have not yet commenced the works.
- (iii) to enter into an agreement with M/s. Sitapuram Power Limited by A.P.MDC on various terms & conditions.
- (iv) There shall be a JVC with 51% shareholding by A.P.MDC and 49% by M/s. Sitapuram Power Limited. The JVC which is holding 49% shares will be responsible to undertake mining operations of coal and any investment relating to the mine shall be the responsibility of the JV partner only and A.P.MDC will not invest any amount in the said mining project including expenses required of preparation of mining plans payment of net present value etc., in case of forest land and all other related expenses to get the mining lease and also to recoup/paying the Bank Guarantee furnished by APGENCO to Ministry of Coal, Government of India as per the terms of the allotment.
- (v) The JVC shall allocate the entire coal produced from the mine to M/s. Sitapuram Power Limited only. The JVC is entitled to collect the price for the said coal at an actual cost of production, consideration amount payable to A.P.MDC which is equivalent to that of royalty payable to the Government as fixed in G.O.Ms.No.332, Industries & Commerce Department , dated: 03-12-2007, besides payment of statutory levies like Royalty Cess etc.,
- (vi) The entire coal shall be utilized by M/s. Sitapuram Power Limited in its power plant only and they are not permitted to sell the coal to any other agency without the specific permission from A.P.MDC.

10. The VC & MD, A.P.MDC Ltd., has therefore requested the Government to grant necessary permission to enter into JV agreement with M/s. Sitapuram Power Limited by incorporating the above terms and conditions duly vetting the draft agreement by the counsel of A.P.MDC. and the A.P.MDC may also be insisted for obtaining Security Deposit to a tune of Rs.2.00 Crores in order to ensure performance guarantee.

11. The Government after careful examination of the matter, hereby permit the VC & MD., A.P.MDC Ltd., to enter into JV agreement with M/s. Sitapuram Power Limited subject to the terms and conditions mentioned at para (9) above, duly vetting the draft agreement by the counsel of A.P.MDC. Ltd., and the A.P.MDC is directed to get an amount of Rs.2.00 Crores as Security Deposit in order to ensure performance guarantee and the Corporation can specify desirable levels of production to be achieved with penal conditions for failure to achieve the targets set, since, it is in the interests of Government to get the full potential of production out of the coal block so as to meet the shortage of coal.

(Contd.. P.4)

12. This order issues with concurrence of Finance (Exp. I&C) Department vide their U.O.No.376/14-A/Expr. I&C/09, dated:21-01-2009.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

Y.SRILAKSHMI
SECRETARY TO GOVERNMENT

To
The Vice Chairman & Managing Director,
A.P.Mineral Development Corporation Limited,
Pancom Business Centre, Ameerpet, Hyderabad.

Copy to:

- 1) The Special Secretary to Hon'ble Chief Minister, A.P. Hyderabad.
 - 2) The P.S. to Hon'ble Minister for Mines & Geology, A.P. Hyderabad.
 - 3) The Finance (Expenditure, I & C) Department.
 - 4) The Energy Department.
 - 5) The Public Enterprises Department.
 - 6) The M.D., Andhra Pradesh Power Generation Corporation Limited.
 - 7) M/s. The Singareni Collieries Company Limited, Kothagudem, Khammam District.
 - 8) The Director of Mines and Geology, Hyderabad.
 - 9) Ps to Secretary (Industries & Commerce) Department.
- SF/SCs.

"Copy of this order is available on the Internet and can be accessed at the address "<http://www.ap.gov.in/goir>".

//FORWARDED BY ORDER//

SECTION OFFIER